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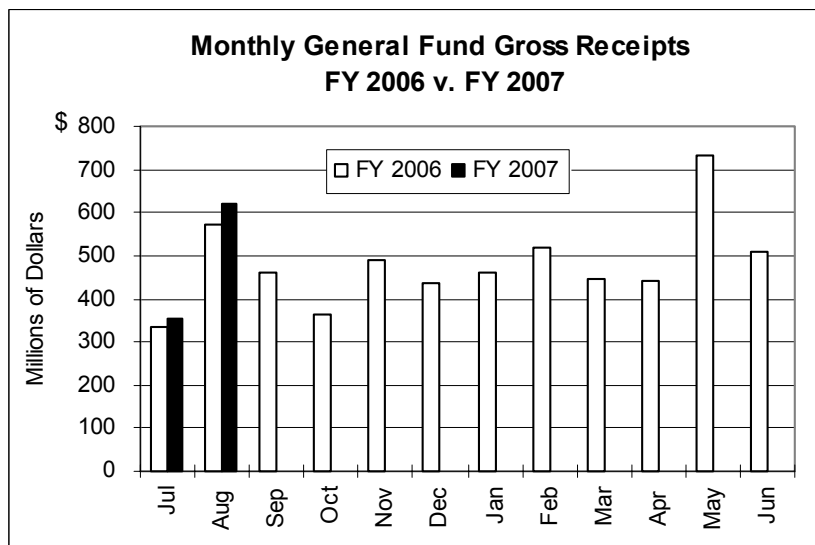
ADMINISTRATIVE SERVICES  
 TIMOTHY C. FALLER

## MEMORANDUM

TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives  
 FROM: Dennis C. Prouty  
 DATE: September 1, 2006

### Monthly General Fund Receipts through August 31, 2006

The attached spreadsheet presents year-to-date FY 2007 General Fund receipts, with comparable figures for actual FY 2006. The figures can be compared to the FY 2007 estimate of \$5.842 billion set by the Revenue Estimating Conference (REC) on March 24, 2006. The FY 2007 estimate is an increase of \$71.2 million (1.2%) compared to actual FY 2006 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The REC has not met to update the FY 2007 estimate to reflect actual FY 2006 receipts. The March REC projected 2.8 % receipt growth for FY 2007. A date for the next REC meeting has not been scheduled.



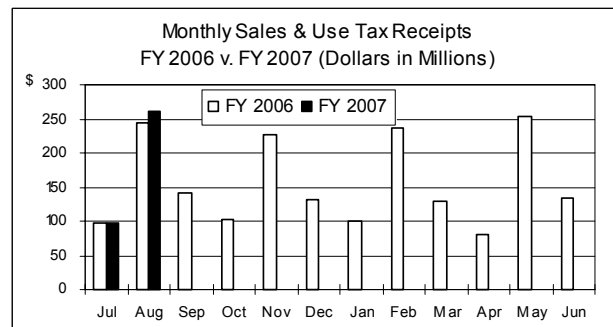
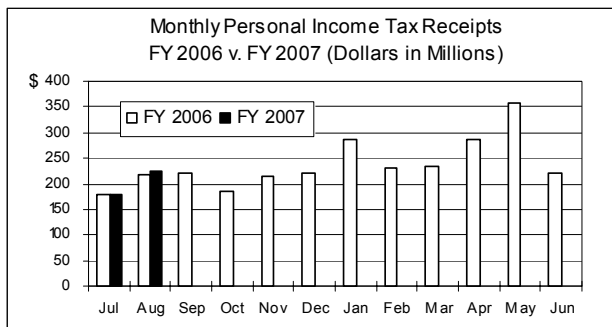
### FY 2007 Compared to FY 2006

Fiscal year to date, total gross cash receipts increased \$66.1 million (7.3%) compared to FY 2006. Major revenue sources contributing to the change include:

- Personal income tax (positive \$9.6 million)
- Sales & use tax (positive \$16.1 million)
- Corporate tax (positive \$16.0 million)
- Other taxes (negative \$10.3 million)
- Other receipts (positive \$14.3 million)

**Personal income tax** revenues received in August totaled \$225.1 million, an increase of \$8.5 million (3.9%) compared to August 2005. Personal income tax receipts are currently negatively impacted by the most recent withholding table change that occurred in April 2006.

The FY 2007 REC income tax estimate of \$2.918 billion represents a projected increase of 2.2% compared to actual FY 2006. Year-to-date, total income tax receipts have increased 2.4%. By subcategory, withholding tax payments increased 2.9%, income tax estimate payments increased 7.3%, and payments with returns have decreased 47.6%. The following chart compares FY 2007 monthly personal income tax receipts from all three personal income tax subcategories with FY 2006.



**Sales/use tax** receipts received in August totaled \$261.4 million, an increase of \$16.4 million (6.7%) compared to August 2005. The strong August deposit reverses a recent downward trend for sales/use tax.

The REC estimate for FY 2007 sales/use tax receipts is \$1.946 billion, an increase of 3.5% compared to actual FY 2006. Year-to-date, sales/use tax receipts increased 4.7%. The preceding chart compares FY 2007 monthly sales tax receipts with FY 2006.

**Corporate tax** receipts received in August totaled \$16.6 million, a \$4.2 million increase (33.9%) compared to August 2005. Corporate tax receipts have shown strong growth since December 2003.

The REC estimate for FY 2007 corporate tax revenue is \$320.0 million, a decrease of 8.2% compared to actual FY 2006. Year-to-date, corporate tax revenue has increased 75.5%.

**Other tax** receipts received in August totaled \$72.7 million, a \$10.9 million increase (17.6%) compared to August 2005. The majority of the increase is due to changes to the deposit dates for insurance premium tax. Cigarette tax receipts also increased for the month.

The REC estimate for FY 2007 receipts from other taxes is \$343.2 million, a decrease of 0.1% compared to actual FY 2006. Year-to-date, other tax receipts have increased 12.5%. Revenue from other taxes will decrease in March and June when the next two insurance premium tax payments are due.

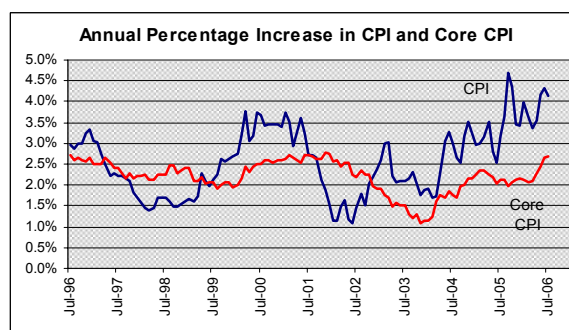
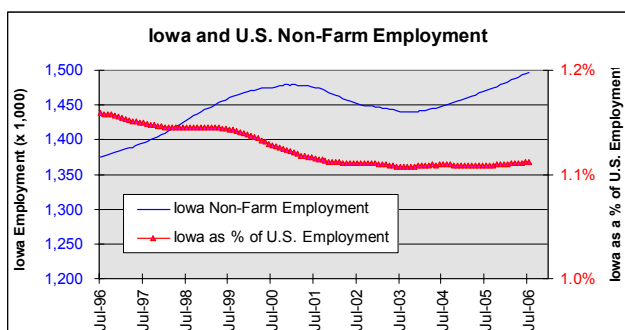
**Other receipts** (non-tax receipts) received in August totaled \$44.3 million, a \$6.6 million increase (17.5%) compared to August 2006. The increase was in racing and gaming receipts. This increase will reverse in October when the \$60.0 million annual receipt cap is achieved.

The REC estimate for FY 2007 other receipt revenue is \$314.6 million, a decrease of 8.4% compared to actual FY 2006. Year-to-date, other receipts have increased 21.4%.

## Status of the Economy

Iowa non-farm employment was reported at 1,498,900 for the month of July (not seasonally adjusted), 26,600 higher (1.8%) than July 2005.

The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked in January 2001 (1,478,700), and the recent low was September 2003 (1,439,900). The current 12-month average reading is 1,496,700, so annualized Iowa non-farm employment is roughly 18,000 above its 2001 peak and 56,800 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1996 through 2003, but has held relatively stable over the past three years.



Consumer prices increased 0.3% during the month of July (not seasonally adjusted). The Consumer Price Index (CPI-U) through July 2006 was 203.5 (1983/84=100), 4.1% higher than one year ago.

Core CPI, an inflation measure that excludes food and energy prices, increased 0.1% during July and the year-over-year change was 2.7%. The core inflation rate generally declined from the early 1990's through March 2006. Since March, the rate of core CPI growth has noticeably accelerated.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2006 vs. FY 2007 July 1 through August 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 06 Actual Compared to FY 07 REC Estimate		
	FY 2006	FY 2007	Year to Date % Change	August % Change	Actual FY 2006	Estimate FY 2007	Projected % Change
Personal Income Tax	\$ 394.6	\$ 404.2	2.4%	3.9%	\$ 2,854.2	\$ 2,917.8	2.2%
Sales/Use Tax	342.2	358.3	4.7%	6.7%	1,881.1	1,946.3	3.5%
Corporate Income Tax	21.2	37.2	75.5%	33.9%	348.6	320.0	-8.2%
Inheritance Tax	12.1	11.9	-1.7%	-1.6%	73.1	69.6	-4.8%
Insurance Premium Tax	48.6	58.0	19.3%	19.2%	121.4	126.4	4.1%
Cigarette Tax	14.9	16.3	9.4%	23.1%	89.5	90.0	0.6%
Tobacco Tax	1.5	1.6	6.7%	-25.0%	9.2	9.2	0.0%
Beer Tax	2.7	2.7	0.0%	-7.7%	14.2	14.6	2.8%
Franchise Tax	2.9	2.4	-17.2%	-80.0%	35.5	32.8	-7.6%
Miscellaneous Tax	-0.1	0.0	100.0%	38.1%	0.6	0.6	0.0%
Total Special Taxes	\$ 840.6	\$ 892.6	6.2%	7.5%	\$ 5,427.4	\$ 5,527.3	1.8%
Institutional Payments	2.3	2.1	-8.7%	-35.3%	13.0	12.9	-0.8%
Liquor Profits	7.8	8.8	12.8%	3.4%	63.8	61.8	-3.1%
Interest	2.0	3.9	95.0%	37.5%	17.5	13.5	-22.9%
Fees	11.1	14.7	32.4%	-15.6%	76.2	69.9	-8.3%
Judicial Revenue	8.0	9.9	23.8%	35.7%	63.1	61.9	-1.9%
Miscellaneous Receipts	6.9	4.9	-29.0%	0.0%	49.7	34.6	-30.4%
Racing and Gaming Receipts	28.8	36.9	28.1%	41.8%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 907.6	\$ 973.7	7.3%	8.1%	\$ 5,770.7	\$ 5,841.9	1.2%